

MULTIMEDIA



UNIVERSITY

STUDENT IDENTIFICATION NO

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MULTIMEDIA UNIVERSITY

FINAL EXAMINATION

TRIMESTER 3, 2017/2018

BBF1014 – FINANCIAL MANAGEMENT I
(All sections / Groups)

30 MAY 2018
2.30 p.m – 4.30 p.m
(2 Hours)

INSTRUCTIONS TO STUDENTS

1. This Question paper consists of 4 pages.
2. Answer all the 4 questions.
3. Please write your answer in the answer booklet provided.

QUESTION 1

- a) Jack borrows RM 5,000 from a bank at 8 percent annually compounded interest to be repaid in five annual installments. Calculate the principal paid and the balance in the fourth year.
- (9 marks)
- b) RM 20,000 down payment is needed by CS Solutions Sdn Bhd to purchase their van by the end of year 4. The company has RM 3,400 now and would like to save equal annual end-of-year deposits to pay for the van. How much they are required to save at the end of each year in the account which is earning 6 percent interest to buy the van?
- (5 marks)
- c) Soon after graduate, Nicholas set his target to buy a house at Melaka area after 5 years. The house that he is interested is selling at RM 350,000 today. Nevertheless, he acknowledged that the inflation rate of Malaysia is going to be steadily at 5 percent throughout the years. At the same time, the developer will require 10 percent down payment of the selling price from him. What will be the amount for Nicholas to pay to the developer? What is the equal annual end-of-year deposit that he must made into the saving account in order to pay the down payment? The saving account will pay him an annual interest rate of 4 percent.
- (10 marks)
- d) To be able to pursue her study, Lea decided to take a study loan either a standard student loan which the interest payment is not tax deductible or a tax deductible personal loan with a monthly Annual Percentage Rate (APR) 8 percent. The student loan is being charged at Effective Annual Rate (EAR) of 7.5 percent. She anticipates that her tax rate is 14 percent. Which loan should Lea takes?

(6 marks)

[TOTAL: 30 MARKS]

Continued...

QUESTION 2

Bond	Par Value (RM)	Annual Coupon Rate (%)	Years to Maturity	Required Return (%)
A	1000	10	6	7
B	100	12	9	11
C	500	17	18	16

- a) Given the above information, calculate the current value of Bond A. Briefly explain whether the bond is selling at discount or premium?

(6 marks)

- b) On the trading board, GOLS Bond is trading at RM 1085.90. The bond is paying 8 percent coupon rate. Nevertheless, the coupon payment is paid semi-annually and the bond has 16 years to maturity. The face value for the bond is RM 1,000. Calculate the bond's yield to maturity (expressed as an Annual Percentage Rate (APR) with semi-annual compounding).

(4 marks)

[TOTAL: 10 MARKS]

Continued...

QUESTION 3

- a) Due to economic down turn, SilverMas Sdn Bhd was only able to pay RM 1.00 dividend at the end of 2017. Nevertheless, the company is striking very hard to pay dividend. The company is expecting to grow constantly at 4 percent and the cost of equity is 12 percent. What is the value of a share for SilverMas Sdn Bhd at the end of 2016?

(5 marks)

- b) The most recent annual dividend payment by Charles Sdn Bhd was RM 2.50 per share. The company is expected to grow rapidly. Thus, it is being expected that in Year 1 the dividend will increase by 10 percent, subsequently Year 2 and Year 3 by 5 percent and starting from Year 4 will grow constantly at 4 percent. Calculate the value of stock for Charles Sdn Bhd if the required rate of return is 15 percent.

(11 marks)

- c) Blockchain Technologies has a beta of 1.50, the T-bill rate is 5 percent and the required return on the market portfolio is 10 percent. The firm estimates that its future dividends will continue to increase at an annual compound rate consistent with that experienced over the 2014-2017 period.

Year	Dividend
2014	2.50
2015	2.65
2016	2.95
2017	3.15

- i) Estimate the return of Blockchain Technologies stock.

(2 marks)

- i) A lawsuit has been filed against the company by a competitor in 2017, and the potential loss has increased risk, which is reflected in the company's beta, 1.8. The company is expected to grow starting from 2017 at 5 percent. What is the estimated price of the stock following the filing of the lawsuit in 2017?

(4 marks)

- d) Explain the relationship between beta coefficient, standard deviation and return of stocks. Explain the risk management techniques that enable investors to maximize their profits.

(8 marks)

[TOTAL: 30 MARKS]
Continued...

QUESTION 4

- a) As per stated in annual report, the gross profit for Malware Sdn Bhd is RM 288,000. The cost of goods sold is RM 125,000. It is being told by the manager that the average collection period is 16 days. Assuming there are 365 days in a year. Calculate the account receivables for Malware Sdn Bhd so that the manager will be better prepare for the coming crisis.

(4 marks)

- b) Inventory management for a company is one of the most crucial element that determine the success or sustainability of the company. Kindly explain the Just in Time (JIT) system in term of the timing and its stakeholders. Aside, how it could help the company in term of cost of goods sold.

(15 marks)

- c) Fintech XYZ Sdn Bhd is analyzing the credit terms of each of three suppliers, A, B, and C. Assuming the company would spend RM 350,000 for its inventory. Calculate the cash discount given for each supplier and interpret the results.

Supplier	Credit Terms
A	1/20 net 30
B	2/10 net 30
C	3/5 net 30

(9 marks)

- d) Alibaba Products uses 700 units of a product per year on a continuous basis. The product has carrying costs of RM40 per unit per year and order costs of RM250 per order. It takes 30 days to receive a shipment after an order is placed and the firm requires a safety stock of 6 days usage in inventory. Calculate the economic order quantity (EOQ).

(2 marks)

[TOTAL: 30 MARKS]**End of Page**